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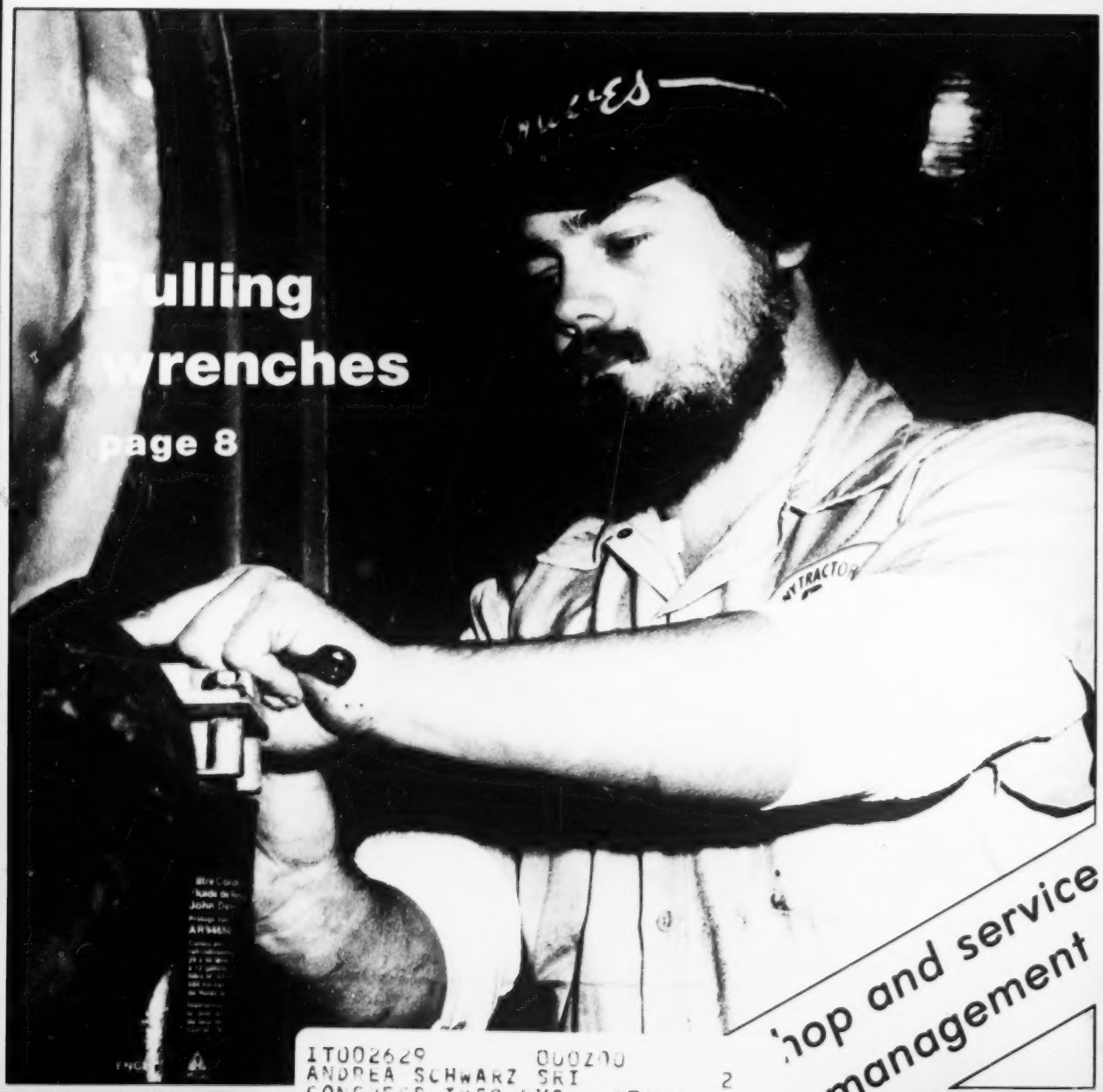
I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

The business magazine of the farm and industrial equipment industry APRIL 1987

Superfarms and dealer service page 22



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ITO02629 000200
ANDREA SCHWARZ SRI 2
CONGRESS INFO SVC - STE 8
4520 EAST WEST HWY
BETHESDA MD 20814

IMPLEMENT & TRACTOR
Editorial, advertising and circulation correspondence should be addressed to: P.O. Box 1420, Clarksdale, Miss. 38614.
Telephone: 601/624-8503

EDITORIAL
Bill Fogarty, Editor
4210 Johnson Drive, Suite 100
Fairway, Kansas 66205
Telephone: 913/677-5728

Hembree Brandon, Editorial Director
Edward A. Phillips, Managing Editor

CIRCULATION
Send change of address forms and circulation inquiries to:
Implement & Tractor
P.O. Box 1420
Clarksdale, Miss. 38614

ADVERTISING
Darrah Parker, Production Manager
P.O. Box 1420
Clarksdale, Miss. 38614
Telephone: 601/624-8503

Midwestern and Eastern Advertising Representative:
Thompson & Associates, Inc.
222 West Adams, Suite 1485
Chicago, Illinois 60606
Telephone: 312/726-1020

ADMINISTRATION
Tommy L. Keith, President and Publisher

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I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

The business magazine of the farm and industrial equipment industry.

April 1987 • Vol. 102 • No. 5

Our cover story

Albany Tractor faced a loss situation 10 years ago in its shop. Here's what one dealer did to turn things around.

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Features

12: **Are good technicians** easy or hard to find? This question in a recent mini-survey of dealers produced some interesting comments.

14: **Bruce Coupe's Massey-Ferguson** franchise in California has been called by some other dealers "the model for the future."

16: **FIEI's annual winter conference** featured lively discussions on the future of the farm equipment industry. Editor Bill Fogarty reports on some of the more interesting ideas offered.

18: **A lot of problems** come to mind at the mention of a multi-franchise dealership. Billy Adams of North Carolina has met the problems head-on.

22: **Operators of superfarms** across the country talked with I&T about their views on service work done in their own shops and work done in their dealers' shops.

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EDITOR'S NOTEBOOK

By Bill Fogarty

Has retail selling been de-professionalized?

For years now, I've had guys buttonholing me at industry gatherings or calling me on the phone about the big discount programs. They say something like: "This radical discounting has got to stop. It's madness and it's going to destroy the industry if it keeps on. You ought to write an editorial telling them to quit it *now*."

The answer to that one, of course, is that if I ever find that readers will do what I tell 'em to, I'll just ask them to mail their donations to my Swiss bank account, and that will be my last editorial.

The fact is, no editorial or anything else was ever going to impede the radical discounting that we've seen in recent years. It was brought about by incredibly abrupt changes in the world supply of and demand for agricultural products and other shifts in the world economy. It was complicated by a failure of the farm equipment industry — biggies and little guys alike — to recognize the nature of these changes until they were sitting in our laps.

What could have been done with that ocean of inventory other than cutting price to sell it off as fast as possible? (Well, they didn't have to keep adding to inventory the way they were doing for a while, but that was secondary.) All that stuff out there was financed by banks that used to proclaim their love and devotion to agriculture and to everything connected with it, but after a while, they got itchy about all that money tied up in equipment. They wanted their high-interest money back fast, and it got so that it was less agony for a company to sell its machines at drastic cuts in price than to hold on to them and hope for better times.

Backing off. And now the word is out that the discounting, or at least the *drastic* discounting, is behind us. Marketing executives from several companies have commented to me that the other guys (it's always the other guys, of course) have finally come to their senses and backed off of the big discounts. On major high-ticket items, anyway. And except for something referred to as "transactional discounts." (A transactional discount can materialize, I'm told, when there's a very competitive situation and the dealer needs something knocked off the price in order to make a deal.)

To whatever extent the manufacturers are backing off of their super discounts, it seems to make a lot of sense.

For one thing, several large mergers and acquisitions have taken place in recent years and some management teams now have to show their boards

INVENTORY WATCH

What's happening to stockpiles in relation to sales.

Equipment	Inventory Levels							12-Month Sales, Jan. 1, 1986 Dec. 31, 1986
	Dec. 31, 1985	July 31, 1986	Aug. 31, 1986	Sept. 30, 1986	Oct. 31, 1986	Nov. 30, 1986	Dec. 31, 1986	
Tractors								
Under 40 hp	46,559	50,905	52,872	57,108	57,880	59,141	61,842	61,648
40-99 hp	25,658	26,005	25,417	24,915	24,774	23,560	23,520	30,848
100 hp and over	22,243	16,986	16,783	16,299	14,901	14,228	13,805	14,262
Four-wheel drive	2,889	2,429	2,372	2,247	2,092	1,956	1,660	2,037
Total Tractors	**97,349**	**96,378**	**97,444**	**100,569**	**98,647**	**103,684**	**101,427**	**108,795**
S-P Combines	6,685	7,403	6,037	5,624	4,580	4,094	4,271	7,660

Source: Farm & Industrial Equipment Institute

FOR DEALERS ONLY: Mini-Survey suggests wage isn't everything

Finding good technicians

By Bill Fogarty

A DUMB QUESTION sometimes gets a better answer than it deserves. Here's a case in which our basic dumb question produced some very thought-provoking material for those involved with service personnel matters.

The dumb question: "Are good technicians easy or hard to get?" I&T asked it as one of our recent *For Dealers Only* mini-surveys and 55 dealers responded, offering some insight into their experiences over the past two years at hiring technicians for the shop.

How does one quantify "easy" and "hard" in a search for personnel? By itself, the basic question takes one nowhere, but some of the answers were very productive.

For the record, 23 dealers found it difficult to get the technicians they needed in the past two years, nine found it easy, and 16 thought it about routine, or what they might have reasonably expected.

One of the dealers who termed the task "average" said his dealership had experienced 13 departures from the shop over the past two years and had taken on 15 new service hands!

Little correlation

Taken together, our 55 dealers hired a total of 147 service technicians over the two years. We thought that by asking them to state their starting hourly wage for service technicians at various levels of training and experience, and then comparing the rates of the "easy," "difficult," and "average" dealers, we might find a correlation. In other words, would some dealers have experienced a difficult time hiring their mechanics because they paid low wages?

Undoubtedly, that was true in a few cases, but look at the table that accompanies this report: There is very little or no correlation between paying well and hiring easily, or paying low and having search problems.

Then how about geography? Maybe some dealers had trouble because, even though they might have offered more per hour than some national average, they were below the local starting pay norms.

No single factor

So I&T arranged the respondents by state, where indicated. Again, no correlation was apparent. For instance, three Montana dealers responded: Mr. Easy started inexperienced vo-tech grads at $5.50 per hour; Mr. Average paid $5.00; and Mr. Difficult started them at $6.00. An Iowa dealer, paying $6.00, said the search was difficult, while another found it easy at $3.50.

What is one to conclude? It may be that money is important, but not a totally determining factor in terms of the ease or difficulty of hiring service personnel. It may also be that there is a wide variation in supply-demand factors for skilled labor from one area's market to another, even though they might be close geographically.

The lesson: Dealers are probably well-advised to participate in their associations' wage and salary surveys and study the findings carefully. Once that's done, they probably should conduct their own mini-surveys of going wages at other farm and industrial equipment dealers. Service department consultants also recommend that dealers probe what local auto and truck dealers, diesel shops, and similar technician employers are paying.

WHAT'S YOUR STARTING WAGE FOR TECHNICIANS?

	Average Hourly Pay		
Dealer Groups	Vocational Training - No Experience	Vocational Training - Up to Four Years Experience	Vocational Training - Over Four Years Experience
All dealers	$ 5.70	$ 7.00	$ 7.80
Easy to find	$ 5.60	$ 6.90	$ 7.60
Routine to find	$ 5.80	$ 7.45	$ 8.20
Difficult to find	$ 5.70	$ 6.90	$ 7.75
Haven't had to find any	$ 5.40	$ 7.30	$ 8.75

Sources of employees

Of the 147 technicians our survey dealers hired over two years, 105 came in as replacements of departed employees. The other 42 were additions. Where did they come from? There were two dominant sources — direct from trade schools and from other dealerships.

We asked the dealers if any technicians had left their employ in the past two years. Ten dealers reported that there were no departures, but 44 dealers experienced 105 terminations from their technical staffs — and most of them told us why.

Nine technicians left because there wasn't enough

work for them. Dealers fired 18 because of insufficient technical skills and eight others for attitude. Five retired. There were 32 technicians who quit for jobs in other fields, and 22 who left for better jobs elsewhere as technicians.

How do dealers feel about state vocational training programs, which might be a source for starting technicians? Is there such a program — or does the dealer know? And what does he think of the graduates? Are they trained reasonably to an entry level and are there enough of them?

Of 54 respondents, 28 said their state had such a program, 12 said there wasn't one, and 14 just plain didn't know. The interesting thing is, some of the dealers who said there's no school were in states where other dealers said there were indeed such training programs. Similarly, some "don't knows" were in states that apparently have such programs.

Mixed reviews

Commenting on the schools, 11 dealers said they were of sufficient quality to train students to an entry level — *and 16 other dealers said they were not adequate.* As for quantity, eight thought enough graduates were coming out to meet the need, and 17 thought there weren't enough. However, some of the dealers who said there were enough were among those who thought quality was insufficient. In other words, if they are turning out bad grads, they are turning out enough of them!

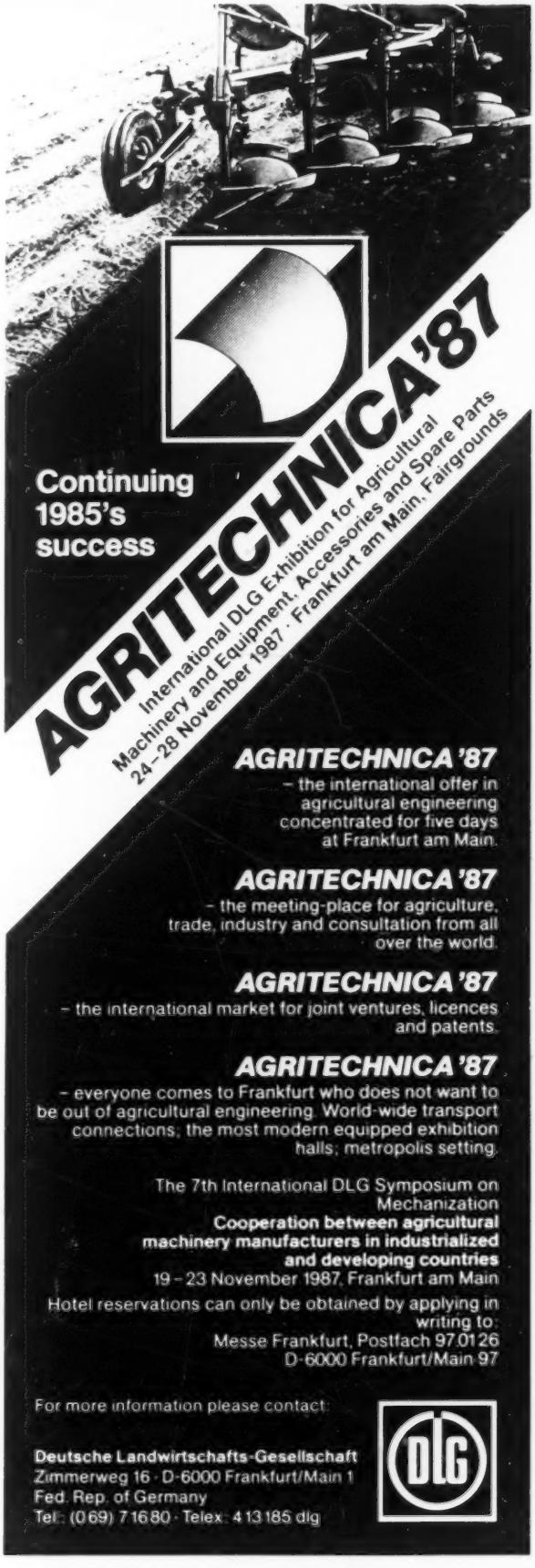
To the writer, the response suggests that dealer associations in states with vo-tech programs need to do two things: (1) They need to be certain that all their members are aware of such programs and what they offer, and (2) they need to get involved in cooperative programs in which they can provide qualitative guidance as a means of upgrading the product. Or it may be necessary for the association — or some individual parties — to get involved politically to secure better funding for potentially good programs.

Next two years

As for the 55 dealers who had hired 147 service technicians in the past two years, what do they see for the next two years?

Forty-two said they expect to be seeking new technicians again in the next two years, while 12 do not. The dealers were asked to specify if they expected to be picking up replacements for departed technicians, additions to the staff, or both. Most respondents were optimistic about growth and about holding the staff they now have, 24 expect to be making additions only, five expect both, and 14 others will be looking for replacements only.

This suggests to the writer that the hunt for good service technicians will continue, and that regional and state associations have an opportunity to develop and refine their member services in this area. If the observations of these participating dealers reflect the mainstream, the vocational training institutions that turn out entry-level technicians for the farm and industrial equipment industry need help in expanding and upgrading their level of instruction.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1987 sales start with a thud

Retail sales of major farm equipment items in the U.S. in the first two months of 1987 were down substantially in most categories, according to the flash report of the Farm & Industrial Equipment Institute.

The FIEI always points out, however, that its flash reports are subject to revision and that the seasonal nature of the business makes monthly comparisons a practice deserving "extreme caution."

Unit Retail Sales

	February			January-February		
	1987	1986	%	1987	1986	%
Farm Wheel Tractors:						
2-Wheel Drive						
Under 40 HP	2,477	2,479	(.1)	5,429	5,628	(3.5)
40 & Under 100 HP	1,323	1,810	(26.9)	3,391	4,264	(20.5)
100 & Under 140 HP	115	616	(81.3)	468	1,026	(54.4)
140 HP & Over	208	722	(71.2)	856	1,910	(55.2)
Total 2-Wheel Drive	4,123	5,627	(26.7)	10,144	12,828	(20.9)
4-Wheel Drive						
Under 200 HP	35	48	(27.1)	66	118	(44.1)
200 HP & Over	54	81	(33.3)	144	285	(49.5)
Total 4-Wheel Drive	89	129	(31.0)	210	403	(47.9)
Total Farm Wheel Tractors	4,212	5,756	(26.8)	10,354	13,231	(21.7)
Combines (Self-Propelled)	73	231	(68.4)	247	857	(71.2)
Balers (Bales under 200 lbs)	101	149	(32.2)	335	398	(15.8)
Forage Harvesters (Shear Bar Type)	47	35	34.3	132	122	8.2
Mower Conditioners	257	230	11.7	651	655	(.6)

Imports topped exports in 1986

Farm equipment imports to the United States last year were $1.63 billion, exceeding for the first time in modern history U.S. farm equipment exports, which were $1.47 billion. As recently as 1982, exports ran ahead of imports by $1.2 billion.

Exports in 1985 were $1.85 billion and imports were $1.56 billion. Principal 1986 declines came in sales to Canada, down 18 percent to $649 million; to Mexico, down 64 percent to $76 million; to Australia, down 66 percent to $48 million; to West Germany, down 9 percent to $52 million; to South Africa, down 15 percent to $25 million; and to Egypt, down 30 percent to $16 million.

Exports in 1986 improved, however, to France, up 13 percent to $68 million; to Spain, up 113 percent to $20 million; to Belgium, up 73 percent to $41 million; to Venezuela, up 25 percent to $54 million; China, up 83 percent to $12 million.

Import volume was down from Canada by 12 percent to $366 million. Increases came from Britain, up 13 percent to $234 million; Japan, up 18 percent to $419 million; West Germany, up 13 percent to $253 million. Other major sources were France at $65 million, down 6 percent; Italy at $119 million, down 3 percent; and the Netherlands, down 12 percent at $30 million.

(Source: U.S. Dept. of Commerce, International Trade Administration, Office of Capital Goods and International Construction.)

Briefly...

Ag-Bag Corp., Astoria, Ore., has announced that it will appeal a court judgment that it had distributed false statements concerning the financial condition of Blair Mfg. Co., Blair, Neb. The decision was rendered in Washington County (Neb.) District Court.

Hans Becherer succeeds Bartlett as Deere president

Hans W. Becherer has been named by the Deere & Co. board of directors as president and chief operating officer, succeeding Boyd C. Bartlett, who retired effective March 31, as previously announced.

Becherer, 51, had been executive vice-president with responsibilities for worldwide farm equipment and consumer products manufacturing and marketing. He joined Deere in 1962 and has held executive positions in both Europe and the United States.

Workshops planned for service managers

How many dealers have service managers who are ready for some advanced training in their profession? The number might not be large, but some dealers I&T has talked with in recent years have indicated that they aimed at having their service operations on a par with those in similar industries.

Here's a chance for them to do something. Three major universities, in co-sponsoring with the National Association of Service Managers, are offering a series of eight educational workshops in 1987 and 1988 focusing on the needs of product service managers, regardless of industry.

The universities: Syracuse, Texas at Arlington, and Wisconsin/Madison.

The three-day workshops, which can be taken separately, are: (1) Managerial and Leadership Skills for the Service Manager; (2) Planning and Budgeting; (3) Marketing and Customer Services; (4) Field Service Management; (5) Service Parts Management; (6) Building an Effective Service Force; (7) Managing for Customer Satisfaction; and (8) Managerial Communications.

Further information is available from Syracuse University (315-423-3291), University of Texas at Arlington (817-273-2290) and University of Wisconsin/Madison (800-362-3020 in Wisconsin, 800-262-6243 outside). National Association of Service Managers is based at 60 Revere Drive, Northbrook, Ill. 60062, telephone 312-480-9575.

Firestone exits farm tire business in United States

The Firestone Tire & Rubber Co. will close its plants at Des Moines, Iowa, Bloomington, Ill., and Oklahoma City, Okla., on or before Sept. 15. The move will take them out of the agricultural tire business in North America, according to Bob Troyer, a company spokesman.